

PUBLIC DISCLOSURE

July 26, 1999

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

GLOUCESTER CO-OPERATIVE BANK

160 MAIN STREET
GLOUCESTER, MA 01930

DIVISION OF BANKS
100 CAMBRIDGE STREET
BOSTON, MA 02202

<p>NOTE: This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the Division of Banks concerning the safety and soundness of this financial institution.</p>
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GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires the Division of Banks (Division) to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the needs of its entire local community, including low and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the Division must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the Community Reinvestment Act (CRA) performance of Gloucester Co-operative Bank prepared by the Massachusetts Division of Banks, the institution's supervisory agency.

INSTITUTION'S CRA RATING: This institution is rated “High Satisfactory ”

Gloucester Co-operative Bank's overall CRA rating is based upon its performance in the five criteria contained herein. The following is a summarization of the findings that were utilized in formulating the bank's overall CRA rating.

Gloucester Co-operative Bank has demonstrated a strong distribution of HMDA reportable lending (in total) to individuals of low and moderate-income (30.7 percent by number). In addition, for 1997 (the most recent data available) the bank ranked 2nd in lending to low and moderate-income borrowers. The bank's percentage of lending to low- and moderate-income borrowers exceeded that of the aggregate.

The bank has further demonstrated a strong net loan to deposit ratio, with an average ratio of 87.0 percent over the last eight quarters.

A majority of Gloucester Co-operative Bank's HMDA reportable lending is originated within its assessment area (75.8 percent by number and 75.4 percent by dollar amount).

Although there are no low-income census tracts, the bank achieved a reasonable dispersion of lending within census tracts of different income levels, proportionate to the representation within the assessment area.

Gloucester Co-operative Bank's fair lending policies and practices are considered reasonable. No weight was given to a review of complaints, as none have been received since the prior examination.

Also considered in the overall rating were the bank's services and investments. The bank's activities in these areas enhance credit availability within its assessment area and contribute to the overall rating of “High Satisfactory”.

PERFORMANCE CONTEXT

Description of Institution

Gloucester Co-operative Bank operates only one banking office located at 160 Main Street in Gloucester, Massachusetts. The bank is primarily a residential mortgage lender with its portfolio centered in 1-4 family residential real estate loans. Banking hours are considered convenient and accessible to the bank's customers. The bank issues Automated Teller Machine (ATM) cards to its customers and maintains an ATM at the main office. The ATM is linked to NYCE and Cirrus networks.

The bank offers the following types of credit: conventional mortgage loans on 1-4 family properties; construction mortgages; land loans; commercial real estate loans; home equity lines of credit; passbook or share loans (collateral loans); personal loans (unsecured); auto loans; commercial installment loans and lines of credit; and home improvement loans.

As of March 31, 1999, Gloucester Co-operative Bank had total assets of \$78 million with total loans representing \$54.6 million or 70.0 percent of total assets. The following table details the bank's loan portfolio as a percent of average gross loans. This information was obtained from the Uniform Bank Performance Report (UBPR) as of March 31, 1999.

Loan Portfolio as of March 31, 1999	
Type of Loans	% of Average Gross Loans
Construction & Land Development	2.8%
Residential Real Estate	
a. 1-4 Family Mortgages	82.5%
b. Home Equity Lines	2.3%
Multifamily	2.8%
Commercial Loans	
a. Commercial Real Estate	6.5%
b. Commercial & Industrial Loans	0.2%
c. Agricultural Loans	0.0%
Consumer Loans	
a. Credit Cards & Related Plans	0.0%
b. Loans to Individuals	2.9%
Other Loans	
a. Loans to Financial Institutions	0.0%
b. Municipal Loans	0.0%
c. Farmland Real Estate Loans	0.0%
d. Other	0.0%
Total	100.0%

Source: Uniform Bank Performance Report (UBPR 3/31/99).

As shown by the data in the table above, residential real estate is the bank's primary form of credit activity. Loans secured by one-to-four family residential property account for approximately 82.5 percent of all outstanding credit. Commercial real estate loans are next with 6.5 percent, followed by loans to individuals with 2.9 percent.

In 1997, the top five mortgage lenders within the bank's defined assessment area were: (1) Cape Ann Savings Bank; (2) Gloucester Co-operative Bank; (3) Ipswich Savings Bank; (4) Homeside Lending, Inc. and (5) Gloucester Bank & Trust. These top five lenders held a 34.4 percent market share of all mortgage loan originations reported under the Home Mortgage Disclosure Act (HMDA).

Based on aggregate HMDA data for 1997, Gloucester Co-operative Bank ranked second among all HMDA reporting lenders within its defined assessment area and held 5.8 percent of the market share. There were 175 HMDA reporting mortgage lenders active within the assessment area in 1997.

The FDIC last examined the bank for compliance with the Community Reinvestment Act on April 20, 1998. A rating of “Satisfactory” was assigned. The previous evaluation performed by the Commonwealth of Massachusetts as of March 24, 1997 assigned a rating of “Outstanding”.

Description of Assessment Area

The Community Reinvestment Act (CRA) requires financial institutions to define an assessment area within which the bank will focus its lending efforts. The Division of Banks evaluates the institution’s CRA performance based on the defined assessment area. Generally, assessment area(s) are expected to consist of Metropolitan Statistical Areas (MSAs) or contiguous political subdivisions such as counties, cities and towns.

Gloucester Co-operative Bank defines its assessment area as the City of Gloucester. This assessment area delineation is within the Boston Metropolitan Statistical Area (MSA). The Boston MSA median Family Household Income (FHI) was \$59,600 for 1997, \$60,000 for 1998, and \$62,700 for 1999.

The City of Gloucester was once home to a prosperous fishing industry. Although environmental concerns led to the closing of vital fishing grounds and a curtailment of that industry, Gloucester remains one of the top three fishing ports in the northeast. Slowly, the city has made a transition from fishing to several other industries. Many Gloucester residents are employed by the companies located in the five industrial parks in the city, which produce a variety of products.

According to 1990 US Census Data, Gloucester Co-operative Bank’s assessment area has a total population of 28,716 individuals. The assessment area consists of 10 census tracts; however, the performance analysis considers only 9 of these, since 1 of the tracts, which is designated as NA contains a U.S. Coast Guard station and has no households or population. Census tracts are defined as either low, moderate, middle or upper-income based on the median Family Household Income (FHI) within the census tract. The census tract breakdown for Gloucester Co-operative Bank is as follows: 1 or 10.0 percent designated as NA; 5 or 50.0 percent designated as a moderate-income and 4 or 40.0 percent designated as middle-income. There are no low or upper-income census tracts within the assessment area.

The following table outlines the census tracts by income level. Additionally, the table also includes the number of family households, which reside within each census tract income level.

Assessment Area Demographics

CENSUS TRACT INCOME LEVEL	NUMBER OF CENSUS TRACTS	CENSUS TRACT PERCENTAGE	FAMILY HOUSEHOLDS	HOUSEHOLD PERCENTAGE
MODERATE	5	50.0	3,417	46.1
MIDDLE	4	40.0	4,217	53.9
NA	1	10.0	0	0.0
TOTAL	10	100.0	7,634	100.0

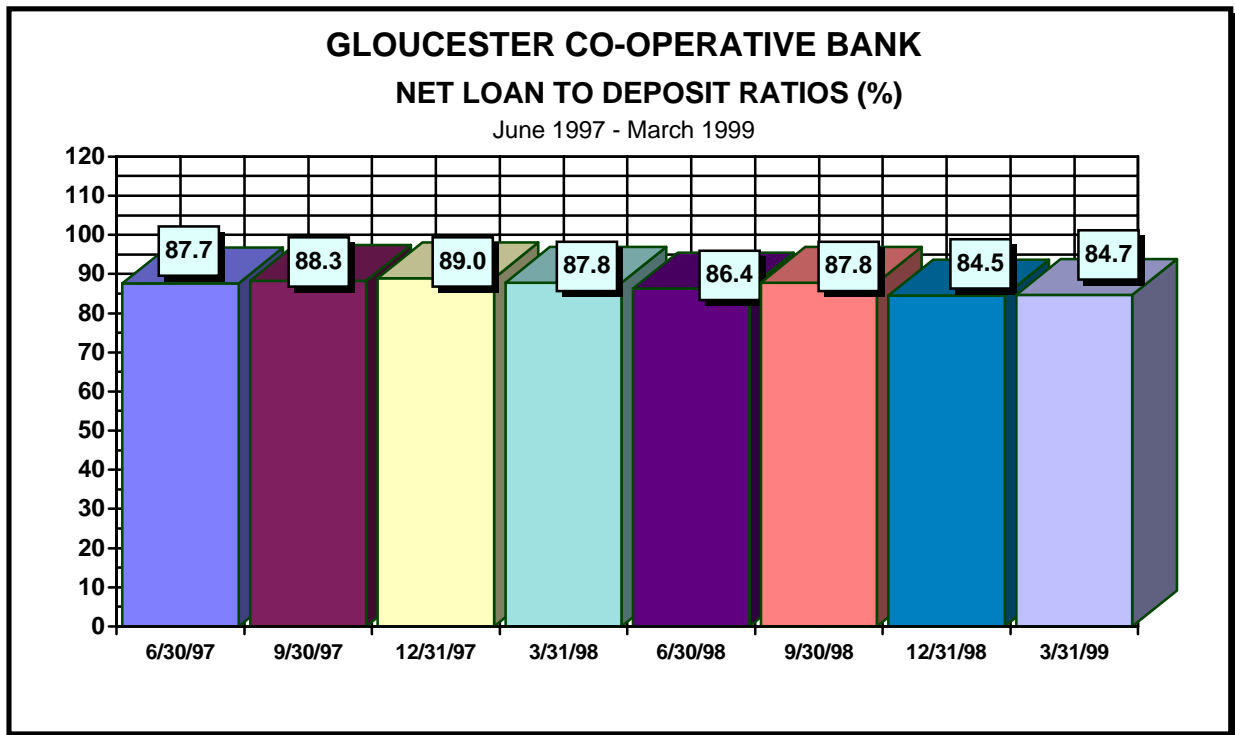
Source: 1990 Census Data

Housing stock within the assessment area consists primarily one to four-family residential dwellings (85.5 percent), of which a majority (51.0 percent) is owner-occupied. The median home value in the assessment area is \$175,976.

PERFORMANCE CRITERIA

1. LOAN TO DEPOSIT ANALYSIS

Gloucester Co-operative Bank's average net loan to deposit ratio was calculated by using the data reported in the previous eight quarterly FDIC Call Reports. This ratio is based on total loans net of unearned income and net of the allowance for loan and lease losses as a percentage of total deposits. The bank's average net loan-to-deposit ratio for the period of June 30, 1997 through March 31, 1999 is 87.0 percent. At the previous state examination on March 24, 1997, the average net loan to deposit ratio was calculated to be 82.4 percent. The asset size of the institution has increased from \$69.4 million as of March 31, 1998 to \$78 million as of March 31, 1999. During this time, net loans increased approximately 3.8 percent, while deposits have increased approximately 7.6 percent. This shows that the deposit growth has outpaced the loan growth. As indicated in the table below, the bank's net loan to deposit ratio stands at 84.7 percent as of March 31, 1999. The following graph depicts the net loan to deposit ratio for each quarter under review.



The following table compares the net loan-to-deposit ratio of six other institutions in the area. The ratios ranged from 91.8 percent to 57.0 percent for December 31, 1998. Gloucester Co-operative Bank's is ranked second with a net loan-to-deposit ratio of 84.5 percent. The following table provides the net loan-to-deposit ratio for other banks within the institution's assessment area. The ratios shown are calculated from the FDIC's Call Report data for December 31, 1998. The institutions are listed with the net loan-to-deposit ratios in descending order.

INSTITUTION	NET LOAN TO DEPOSIT RATIO - 12/31/98
Beverly Co-operative Bank	91.8%
Gloucester Co-operative Bank	84.5%
Heritage Co-operative Bank	83.3%
Gloucester Bank and Trust	78.2%
Granite Savings Bank	66.6%
Cape Ann Savings Bank	61.8%
Ipswich Co-operative Bank	57.0%

Based on the above information, the bank's asset size and resources, competition, and the credit needs of the assessment area, the bank's net loan to deposit ratio is considered strong and exceeds the standard for satisfactory performance.

2. COMPARISON OF CREDIT EXTENDED INSIDE AND OUTSIDE OF THE ASSESSMENT AREA

Gloucester Co-operative Bank's 1998 and 1999 year-to-date (through June 30) Loan Application Registers (LARs) were reviewed to determine the amount of credit extended within the bank's delineated assessment area. During this period, the bank originated 198 HMDA-reportable loans totaling approximately \$23,065,000. Of this amount, 150 loans, or 75.8 percent of the number, totaling \$17,386,000 or 75.4 percent of the dollar amount was originated in the bank's assessment area.

Of the total loans originated within the assessment area, 64.0% were refinances of home purchases, 25.3% were for conventional home purchases, 9.3% were for home improvement, and 1.3% were on multifamily dwellings.

As mentioned in the Performance Context the bank's assessment area consists only of the City of Gloucester. Refer to the following tables for additional information regarding the bank's HMDA-reportable lending, by both number and dollar amount.

HMDA-Reportable Loans by Dollar Amount of Originations

Location	1998		1999-YTD		Totals	
	#	%	#	%	#	%
Gloucester	104	75.9	46	75.4	150	75.8
Outside Assessment Area	33	24.1	15	24.6	48	24.2
Total	137	100.0	61	100.0	198	100.0

Source: HMDA/LAR Data for the period 1/1/98 to 6/30/99

HMDA-Reportable Loans by Dollar Amount of Originations

Location	1998		1999-YTD		Totals	
	\$ (000)	%	\$ (000)	%	\$ (000)	%
Gloucester	11,969	73.6	5,417	79.5	17,386	75.4
Outside Assessment Area	4,284	26.4	1,395	20.5	5,679	24.6
Total	16,253	100.0	6,812	100.0	23,065	100.0

Source: HMDA/LAR Data for the period 1/1/98 to 6/30/99

As indicated in the above tables, the majority (75.8 percent by number and 75.4 percent by dollar amount) of loans in 1998 and 1999 year-to-date, were originated inside the bank's assessment area.

Market statistical data for calendar year 1997 compiled by PCI Services, Inc. CRA Wiz indicated that Gloucester Co-operative Bank ranked 2nd in market share for HMDA-reportable originations and purchases throughout its assessment area. The bank's market share was 5.8 percent. It should be noted that at the time of the examination 1997 aggregate data was used because aggregate data for 1998 was not yet available.

Based on all of the above information, it is evident that a strong percentage, by number and dollar amount, of the bank's loans has been extended within its assessment area. Therefore, the institution's level of lending within its assessment area is considered to exceed the standards for satisfactory performance.

3. DISTRIBUTION OF CREDIT AMONG DIFFERENT INCOME LEVELS

The bank's residential loans were further analyzed to determine the distribution of lending by borrower income level. The borrowers' reported incomes were compared to the median family income for the Boston Metropolitan Statistical Area (MSA) due to the location of the property. These income figures are based on estimated Department of Housing and Urban Development (HUD) information. Refer to the following table for a breakdown of the estimated 1997, 1998 and 1999 HUD information.

MSA	1997	1998	1999
Boston	59,600	60,000	62,700

Low-income is defined by the US Census Bureau as income below 50 percent of the median family income level for the MSA. Moderate-income is defined as income between 50 percent and 79 percent of the median family income level for the MSA. Middle-income is defined as income between 80 percent and 119 percent of the median income. Upper-income is defined as income equal to or greater than 120 percent of the median income.

The following tables show, by number and dollar amount, HMDA-reportable loans to low, moderate, middle and upper-income borrowers in comparison to the number of family households in the assessment area in each respective income group.

Distribution of HMDA-Reportable Loans within the Assessment Area to Borrowers of Different Income Levels by Number

Borrower Income Level	Family Households		1998		1999-YTD		Total	
	#	%	#	%	#	%	#	%
< 50%	1,950	25.5	11	10.6	2	4.3	13	8.7
50 - 79%	1,772	23.2	26	25.0	7	15.2	33	22.0
80 - 119%	1,997	26.2	28	26.9	20	43.5	48	32.0
> = 120%	1,915	25.1	37	35.6	17	37.0	54	36.0
NA	0	0.0	2	1.9	0	0.0	2	1.3
Total	7,634	100.0	104	100.0	46	100.0	150	100.0

Source: HMDA/LAR Data for the period 1/1/98 to 6/30/99

Distribution of HMDA-Reportable Loans within the Assessment Area to Borrowers of Different Income Levels by Dollar Amount

Borrower Income Level	Family Households		1998		1999-YTD		Total	
	#	%	\$ (000)	%	\$ (000)	%	\$ (000)	%
< 50%	1,950	25.5	523	4.4	69	1.3	592	3.4
50 - 79%	1,772	23.2	2,130	17.8	671	12.4	2,801	16.1
80 - 119%	1,997	26.2	2,927	24.5	1,827	33.7	4,754	27.3
> = 120%	1,915	25.1	5,752	48.0	2,850	52.6	8,602	49.5
NA	0	0.0	637	5.3	0	0.0	637	3.7
Total	7,634	100.0	11,969	100.0	5,417	100.0	17,386	100.0

Source: HMDA/LAR Data for the period 1/1/98 to 6/30/99

In 1998 and 1999 the bank extended 13 loans to low-income borrowers representing 8.7 percent by number and 3.4 percent by dollar amount of the total loans for the assessment area.

This falls below the 25.5 percent of low-income households within the assessment area. However, it should be noted that the low-income group contains a large portion of households with incomes so low that home-ownership is virtually impossible. Approximately 26.6 percent or 518 families of the low-income borrowers are below the poverty level. If they were not included, the percentage of households in the low-income category would drop to approximately 18.8 percent, making the bank's distribution by number more comparable to the adjusted number of low-income households.

In addition, the bank extended 33 loans to moderate-income borrowers, representing 22.0 percent by number, as shown above. These loans represent 16.1 percent by dollar amount of the bank's total originations within its assessment area. The number of loans is comparable to the 23.2 percent of moderate-income households within the assessment area.

The distribution of the bank's loans among various borrower income levels may also be compared to that of all other HMDA-reportable lenders in the assessment area. Other HMDA-reporters include bank and non-bank entities such as large national banking companies, other local banks, credit unions and mortgage companies. The analysis is based on calendar year 1997 data and is presented in the following table.

1997 Lending within the Assessment Area to Borrowers of Different Income Levels
Gloucester Co-operative Bank Compared to All Other HMDA-Reporters

Borrower Income Level	Number of Loans				Dollar Amount of Loans			
	Gloucester Co-operative Bank		All Other Reporters		Gloucester Co-operative Bank		All Other Reporters	
	#	%	#	%	\$(000)	%	\$(000)	%
< 50%	6	9.1	66	6.1	281	4.2	4,502	3.1
50 – 79%	12	18.1	193	17.9	887	13.2	16,123	11.1
80 – 119%	24	36.4	288	26.6	2,442	36.4	31,131	21.3
> = 120%	24	36.4	343	31.7	3,094	46.2	65,988	45.2
NA	0	0.0	191	17.7	0	0.0	28,116	19.3
Total	66	100.0	1,081	100.0	6,704	100.0	145,860	100.0

Source: HMDA Data for the period 1/1/97 to 12/31/97

As shown above, the bank's percentage of lending to borrowers of low-income was 9.1 percent by number and 4.2 percent by dollar amount. This exceeds that of the aggregate who originated 6.1 percent by number and 3.1 percent by dollar amount to low-income borrowers in the assessment area.

Gloucester Co-operative Bank's HMDA-reportable loans within the assessment area to moderate-income borrowers accounted for 18.1 percent by number and 13.2 percent by dollar amount. This percentage also exceeds that of the aggregate, which granted 17.9 percent of total loans by number and 11.1 percent by dollar amount to moderate-income borrowers.

In 1997, Gloucester Co-operative Bank ranked second in lending to low and moderate-income borrowers within its assessment area. The bank originated 18 HMDA-reportable loans to borrowers in these income groups, capturing 6.5 percent of the market.

The distribution of HMDA-reportable lending by borrower income in comparison to the number of family households, and the aggregate demonstrates the bank's willingness to lend to borrowers of all income levels, particularly those of low and moderate-income. Therefore, Gloucester Co-operative Bank's lending distribution by borrower income levels is considered to exceed the standards of satisfactory performance.

4. GEOGRAPHIC DISTRIBUTION OF LOANS

The HMDA-reportable loans located within the bank's assessment area were further analyzed to determine their distribution by census tract income level. The assessment area is comprised of 10 census tracts. Of this number 1 or 10.0 percent is designated as NA; 5 or 50.0 percent as moderate-income; and 4 or 40.0 percent as middle-income. There are no low or upper-income census tracts within the assessment area. As

mentioned in the Performance Context the census tract designated as NA is not considered in this analysis.

The following table provides a breakdown, by number and dollar amount, of the bank's HMDA-reportable loans within its assessment area by census tract income level. The table also shows the loans in comparison to the number of owner-occupied housing units in each of the census tract income categories.

**Distribution of HMDA-Reportable Loans within the Assessment Area by
Census Tract Income Level**

Census Tract Income Level	Owner-Occupied Properties		1998		1999-YTD		Total	
	#	%	#	%	#	%	#	%
Moderate	2,300	34.4	41	39.4	14	30.4	55	36.7
Middle	4,387	65.6	63	60.6	32	69.6	95	63.3
Total	6,687	100.0	104	100.0	46	100.0	150	100.0

Source: HMDA/LAR Data for the period 1/1/98 to 6/30/99

**Dollar Volume of HMDA-Reportable Loans within the Assessment Area by
Census Tract Income Level**

Census Tract Income Level	Owner-Occupied Properties		1998		1999-YTD		Total	
	#	%	\$(000)	%	\$(000)	%	\$(000)	%
Moderate	2,300	34.4	4,336	36.2	1,402	25.9	5,738	33.0
Middle	4,387	65.6	7,633	63.8	4,015	74.1	11,648	67.0
Total	6,687	100.0	11,969	100.0	5,417	100.0	17,386	100.0

Source: HMDA/LAR Data for the period 1/1/98 to 6/30/99

As shown in the above table, 55 loans, representing 36.7 percent of the number of the bank's total loans within the assessment area for 1998 and year-to-date 1999 were within moderate-income census tracts. This represents 33.0 percent of the total dollar volume within the assessment area. The percentage of loans in the moderate-income tracts is comparable to the percentage of owner-occupied houses in those tracts. The majority of the bank's residential loans (63.3 percent by number) are located in middle-income census tracts.

An analysis of Gloucester Co-operative Bank's 1997 lending performance by census tract income category was also conducted to compare the bank's performance to all other HMDA-reportable lenders in the assessment area and the peer group. Other HMDA-reporters include bank and non-bank entities such as large national banking companies, other local banks, credit unions and mortgage companies. Refer to the following table.

1997 Lending within the Assessment Area by Census Tract Income Level
Gloucester Co-operative Bank Compared to All Other HMDA Reporters

Census Tract Income Level	Number of Loans				Dollar Amount of Loans			
	Gloucester Co-operative Bank		All Other Reporters		Gloucester Co-operative Bank		All Other Reporters	
	#	%	#	%	\$(000)	%	\$(000)	%
Moderate	24	36.4	355	32.8	2,108	31.4	35,203	24.1
Middle	42	63.6	726	67.2	4,596	68.6	110,657	75.9
Total	66	100.0	1,081	100.0	6,704	100.0	145,860	100.0

Source: HMDA/LAR Data for the period 1/1/97 to 12/31/97

As demonstrated above, the percentage of Gloucester Co-operative Bank's lending activity in moderate-income census tracts was 36.4 percent by number and 31.4 percent by dollar amount. In comparison, the aggregate originated 32.8 percent by number and 24.1 percent by dollar in the moderate-income census tracts.

In 1997, Gloucester Co-operative Bank ranked 2nd in market share for lending in moderate-income census tracts within its assessment area. The bank originated 24 HMDA-reportable loans in these census tracts, representing 6.33 percent of the market.

The distribution of the bank's lending by census tract income levels shows that the bank does not exclude moderate-income census tracts. Based upon the above analysis, the geographic distribution of Gloucester Co-operative Bank's HMDA-reportable lending is considered to meet the standards for satisfactory performance.

5. REVIEW OF COMPLAINTS AND FAIR LENDING POLICIES AND PRACTICES

Based upon the review of the bank's public comment file and its performance relative to fair lending policies and practices the institution meets the standards for satisfactory performance.

REVIEW OF COMPLAINTS

A thorough review of the public comment file revealed that the bank received no complaints pertaining to its CRA performance since the previous examination.

FAIR LENDING POLICIES AND PRACTICES

Gloucester Co-operative Bank has established a Fair Lending Policy on Discrimination in Lending that is approved by the Board of Directors. It is the bank's policy to detect and eliminate discrimination in lending. Detailed below is the bank's fair lending performance

as it correlates to the guidelines established by Regulatory Bulletin 2.3-101, the Division's Community Reinvestment and Fair Lending Policy.

STAFF TRAINING

Gloucester Co-operative Bank provides fair lending training annually to all employees. The most recent training was held at their staff meetings in January 1998. In addition, all new employees are trained on fair lending through the use of a booklet and video entitled "Closing the Gap".

STAFF COMPOSITION AND COMPENSATION

The bank has a staff of 20 full-time and 8 part-time employees, none of which are minorities. The bank employs individuals who speak Italian, Portuguese and German.

The bank does not compensate either of its two loan originators on a commission basis, thereby encouraging loans of all amounts including those to low and moderate-income individuals.

OUTREACH

Bank management ascertains the credit needs of the assessment area through active involvement by bank officers in numerous community organizations and affordable housing programs. These organizations include but are not limited to the following: the Cape Ann Chamber of Commerce, the Economic Development Industrial Corporation, the Gloucester Economic Development Task Force, the Gloucester Housing Authority, the Gloucester Investment Corporation and the Gloucester Redevelopment Authority.

Additionally, Gloucester Co-operative Bank has established a Community Relations Committee. The Committee is designed to monitor the bank's advertising, marketing, community relations and outreach regarding the bank's products and services.

CREDIT PRODUCTS AND UNDERWRITING STANDARDS

The bank evaluates both the products it offers and its product mix on a continuing basis. This analysis is conducted to help determine whether the bank is offering competitive products and whether those products are responsive to the assessment area's needs.

Gloucester Co-operative Bank offers its own First Time Home Buyers program named "The Hometown Mortgage Plan", which offers flexible underwriting standards and relaxed income guidelines. The bank originated 8 loans under this program totaling \$1,075,860 in 1998 and 2 loans totaling \$250,500 in year-to-date 1999.

MARKETING

Gloucester Co-operative Bank's advertising reaches individuals of all income levels and effectively covers the entire delineated assessment area. The bank utilizes print, cable and

radio to advertise its credit products and services. The bank advertises in newspapers throughout its assessment area, including but not limited to: The Gloucester Daily Times, The Boston Globe, and The Manchester Cricket.

CREDIT EDUCATION

The bank participates and sponsors credit education seminars in the assessment area. Refer to the service section of the report for more information.

COUNSELLING

Gloucester Co-operative Bank refers all loan customers who are experiencing credit difficulties to the appropriate credit counseling services available in the area. In addition, the bank will assist customers if possible, in setting up a payment plan.

SECOND REVIEW PRACTICES

The bank has a second review practice in place in which all denied loan applications are reviewed in order to ensure that the bank's credit standards are carried out fairly and consistently. The Second Review Committee consists of the President, the Vice-president, the Loan Officer and the Assistant Loan Officer. This review is typically done prior to the applicant receiving an adverse action notice.

INTERNAL CONTROL PROCEDURES

The bank's Second Review Committee checks for fair lending and any discriminatory practices. The HMDA/LAR data is reviewed quarterly by the loan manager and annually by the bank's CRA Committee and the Board of Directors.

MINORITY APPLICATION FLOW

A review of residential loan applications was conducted in order to determine the number of applications the bank received from minorities. In 1998 and year-to-date 1999 (through June 30), the bank received 176 residential loan applications from within its assessment area. During this period, 1 application or 0.6 percent was received from a minority applicant.

The bank's minority application flow for this period was also compared with the racial make-up of the assessment area and 1997 aggregate data for all other HMDA-reporters within the assessment area. The comparison of this data assists in deriving reasonable expectations for the institution's minority application flow.

According to 1990 Census Data, the bank's assessment area contained a total population of 28,716 individuals of which 1.5 percent are minorities.

Aggregate information from 1997, which was the most current aggregate information available at the time of the examination, indicated 1,451 HMDA-reportable applications

were received from all other banks within the assessment area. Refer to the following table for information regarding the bank and aggregate data information on minority lending in 1997.

1997 Application Flow within the Assessment Area Compared to the Aggregate

RACE	Gloucester Co-operative Bank		All Other HMDA Reporters	
	#	%	#	%
American Indian / Alaskan	1	1.2	1	.1
Asian / Pacific Islander	0	0.0	5	.4
Black	0	0.0	2	.1
Hispanic	1	1.2	2	.1
Other	0	0.0	5	.4
TOTAL MINORITY	2	2.4	15	1.1
White	82	97.6	1,164	80.2
No Information	0	0.0	272	18.7
TOTAL	84	100.0	1,451	100.0

Source: HMDA/LAR Data for the period 1/1/97 to 12/31/97

As demonstrated in the above table, in 1997 Gloucester Co-operative Bank received 2.4 percent of their total applications from minorities. This exceeds that of the aggregate, which received 1.1 percent of their applications from minorities.

QUALIFIED INVESTMENTS AND SERVICES

Upon management's request, the bank's performance in the area of qualified investments and services was reviewed. To be considered for review, an investment or service must meet the definition of community development. Community development purposes are defined as affordable housing, community service, economic development, and community stabilization/revitalization. Community development services must relate to the provision of financial services.

The bank's activities in these areas enhance credit availability within its assessment area and contribute to the overall rating of "High Satisfactory".

Retail Services

Gloucester Co-operative Bank's main office is located at 160 Main Street in Gloucester Massachusetts, a moderate-income census tract. Hours of operation are reasonable and comparable with other local financial institutions. The bank offers an Automated Teller Machine (ATM), which is linked to the NYCE and Cirrus network. In addition, the bank employs individuals who speak foreign languages including Italian, German and Portuguese.

Gloucester Co-operative Bank is a participant in the Basic Banking for Massachusetts Program. This program was created to provide low cost banking products and services and to encourage individuals with modest income to establish banking relationships.

The bank offers a Basic Checking Account that requires a deposit of \$10 to open the account, and no minimum balance requirement. There are no service fees and depositors can write eight free checks a month. There is a small fee of \$.75 per check for each additional check written.

Bank by mail service is provided to all of Gloucester Co-operative Bank's customers. This service is most commonly used by customers to mail in deposits and make loan payments. The bank does not charge a fee for this service.

Telephone banking is offered to the bank's customers to provide better access to their accounts. Customers are able to access deposit amounts, balances, ATM activity and make transfers. Phone banking also offers 24-hour service along with a toll free number.

Gloucester Co-operative bank has established an Internet website for customers and potential customers. The website includes information such as the bank's products, services, location and hours of operation.

The bank provides a voluntary government check-cashing program. This allows welfare recipients to cash their checks at the bank. A one-time fee of \$3.00 is charged for this service and they do not need to be a customer of the bank.

Gloucester Co-operative Bank offers a tiered rate money market account to first time homebuyers. The purpose of the account is to encourage first time homebuyers to accumulate the down payment necessary for the purchase of their first home. The maximum contribution to this account is \$10,000.00.

Educational Seminars

Gloucester Co-operative Bank has conducted and participated in seminars designed to educate consumers about banking and products available to meet their specific needs. These events provide opportunities for bank representatives to inform those in attendance about the products and services that are offered by the bank and to gain information about credit needs in the community. The bank's involvement since the previous examination is detailed below.

In August 1998, the bank offered a First Time Homebuyer Seminar entitled "Steps to Homeownership". The purpose of the seminar was to educate low and moderate-income first time homebuyers in order to give them a clear understanding of the home buying process. Speakers at the seminar included a mortgage representative and a real estate broker.

In September 1998, the bank participated in The Gloucester Housing Fair sponsored by Catholic Charities North. Realtors, mortgage lenders, non profit and community development agencies offered assistance at information booths. There were also workshops that discussed topics such as how credit affects buying a home, what programs are available for down payment assistance and rehabilitation. Homeownership opportunities were also discussed at the fair.

From June through November of 1998, Gloucester Co-operative scheduled a series of seminars to help individuals plan their finances. Seminars included: Long Term Care Planning, Estate Planning and The 1998-1999 Financial Planning Seminar Series. Speakers at the seminars included both attorneys and financial planners

Community Development Services

The revised CRA regulation defines a community development service as a service that is primarily for a community development purpose and is related to the provision of financial services. Gloucester Co-operative Bank's employees and Directors are involved with community organizations that address economic and affordable housing development. Through these involvements, the bank's staff lends their technical expertise, experience and judgment to these organizations. Following are some examples.

Economic Development Industrial Corporation: Two of the bank's directors are involved in this organization, one as a Director the other as an Executive Director. This corporation serves the City of Gloucester in the development of different businesses and industries.

Gloucester Economic Development Task Force: One of the bank's directors is a member of this organization. The task Force is designed to manage the development of the harbor area in Gloucester.

Gloucester Housing Authority: One of the bank's directors serves as Treasurer for this organization. The Housing Authority is designed to assist low-income residents by creating low-income housing units.

Gloucester Investment Corporation: The bank's President is a member of the GIC. This community development corporation was originated to foster the creation and retention of jobs in the City of Gloucester through the development of a loan fund.

Wellspring Land Trust: One of the bank's directors is a member of this community-based organization. Through the rehabilitation of housing, this organization is able to establish affordable housing units.

Investments

As defined under the revised CRA regulation, a qualified investment is a lawful investment, deposit, membership share or grant that has community development as its primary purpose. Community development includes affordable housing for low and moderate-income individuals, community services targeted to low and moderate-income individuals, activities that promote economic development by financing small businesses or small farms, and activities that revitalize or stabilize low and moderate-income geographies.

The majority of Gloucester Co-operative Bank's qualified investments have been in the form of charitable donations. The bank's investments from April 1, 1998 to July 26, 1999 were reviewed. Donations for this period totaled approximately \$25,683 of which \$2,362 is considered qualified. Detailed below are some of the organizations that Gloucester Co-operative Bank contributes to regularly that target low and moderate-income individuals.

Consumer Credit Counseling Services of Massachusetts: This non-profit organization provides financial counseling and educational programs to financially troubled families and individuals.

Rose Baker: This is a senior citizens center for the elderly.

Hard Disk Café: This non-profit organization is an educational and re-training facility that promotes computer literacy. It is available to all residents of Cape Ann interested in learning computer skills.

Council on Aging: This organization administers a center for the elderly. In addition, this organization operates the Meals on Wheel program, which provides meals to individuals that are housebound.

Wellspring: This organization provides numerous services including a sanctuary for battered women and their families, shelter for the homeless, job re-training and self-sufficiency guidance.

Conclusion

As noted above, Gloucester Co-operative Bank's performance in making qualified investments and its performance in providing services and delivery systems that enhance credit availability within its assessment area, enhance the bank's CRA performance and support the overall rating of "High Satisfactory".

THE COMMONWEALTH OF MASSACHUSETTS

To the COMMISSIONER OF BANKS:

THIS IS TO CERTIFY, that the report of examination of the

GLOUCESTER CO-OPERATIVE BANK

for compliance with applicable consumer and fair lending rules and regulations and the Community Reinvestment Act (CRA), as of the close of business **JULY 26, 1999**, has been read to or by the undersigned and the matters referred to therein will have our immediate attention.

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A majority of the Board of Directors/Trustees

Dated at _____ this _____ day of _____ 19 ____

PERFORMANCE EVALUATION DISCLOSURE GUIDE

Massachusetts General Laws Chapter 167, Section 14, as amended, and the Uniform Interagency Community Reinvestment Act (CRA) Guidelines for Disclosure of Written Evaluations require all financial institutions to take the following actions within 30 business days of receipt of the CRA evaluation of their institution:

- 1) Make its most current CRA performance evaluation available to the public;
- 2) At a minimum, place the evaluation in the institution's CRA public file located at the head office and at a designated office in each local community;
- 3) Add the following language to the institution's required CRA public notice that is posted in each depository facility:

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Massachusetts Division of Banks, at (Address at main office)."

[Please Note: If the institution has more than one local community, each office (other than off-premises electronic deposit facilities) in that community shall also include the address of the designated office for that community.]

- 4) Provide a copy of its current evaluation to the public, upon request. In connection with this, the institution is authorized to charge a fee which does not exceed the cost of reproduction and mailing (if applicable).

The format and content of the institution's evaluation, as prepared by its supervisory agency, may not be altered or abridged in any manner. The institution is encouraged to include its response to the evaluation in its CRA public file.